
**Electricity and Consumers:
Challenges Faced By Low-Income Consumers And Current Issues
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**Consumer Federation of America
Consumer Assembly 2010
Washington, DC
March 11, 2010**

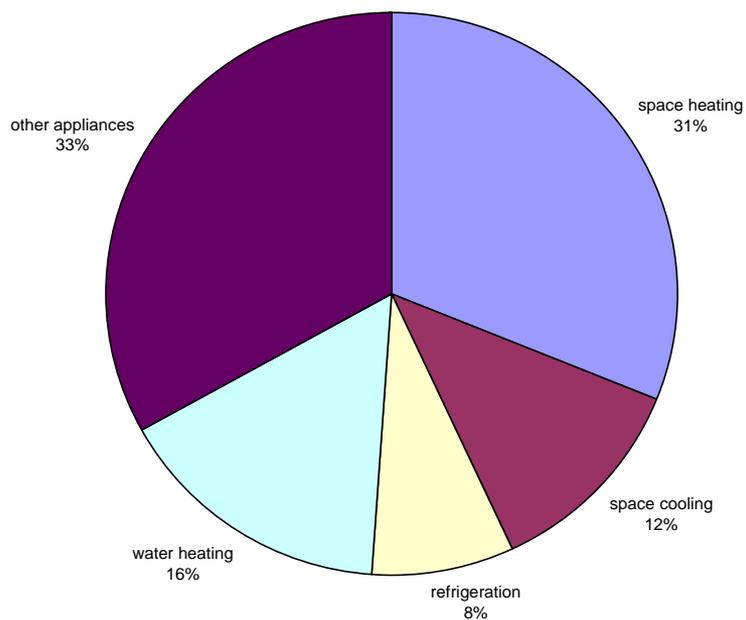
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Electricity is a basic necessity for modern life.

- **Access to affordable electric service is critical for safe, habitable housing.**
- **Lighting**
- **Cooling**
- **Heating (and as a source of back-up heating)**
- **Appliances such as refrigerators and stoves**
- **Access to electric service is critical for those dependent on medical equipment that requires electricity and refrigeration**
- **Access to electric service is critical for communications technologies**

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Percent of US low-income residential energy expenditures by end use, FY 2007



Source: US HHS LIHEAP Home Energy Notebook for FY 2007 (data from EIA's 2005 Residential Energy Consumption Survey)

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Current Landscape:

- According to HHS, in FY 2007, low-income households spent 13.1 percent of their income on residential energy compared to 3.0% for all households.
- The federal Low Income Home Energy Assistance Program directors estimate that there will be an addition 1.2 million households served this year (8.8 million households).
- Why? State LIHEAP directors are reporting seeing an influx of first-time applicants due to the economy.
- The January 20, 2010 release of \$490 million in LIHEAP emergency contingency funds reflects this reality.
 - \$450 million of the released to the states was based on the regular block grant allocation *weighted by the states' unemployment rates*.
 - \$50 million was directed to 14 states that experienced particularly colder than normal weather weighted by number of households below 125% of poverty and weighted by unemployment rates. (Alabama, Arkansas, Florida, Georgia, Kansas, Kentucky, Louisiana, Mississippi, Nebraska, North Carolina, Oklahoma, South Carolina, Tennessee and Texas)

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Snapshot of low-income households served by LIHEAP

- 43 percent had a senior in home (aged 60 or over)
- 50 percent had a household member with a disability
- 40 percent had children
- 29 percent were unemployed at some point during the previous year
- 70 percent had a serious medical condition
- 24 percent used medical equipment that requires electricity

Source: 2008 NEADA survey (April 2009)

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Affordability Challenges: Arrearages and Disconnections

TABLE 2: EST. ARREARAGES/SHUT OFFS (2008-09)

Date	Arrears (# in millions, except for average)			Shut-Offs (# in millions, except for average)		
	# of Households	\$ Amount	Average	# of Households	\$ Amount	Average
9/30/2009	12.5	\$3,437.9	\$276	4.3	\$1,209.64	\$279
9/30/2008	13.1	\$3,565.2	\$272	4.1	\$1,031.37	\$253

Shutoffs refer to households shut-off during the course of the year

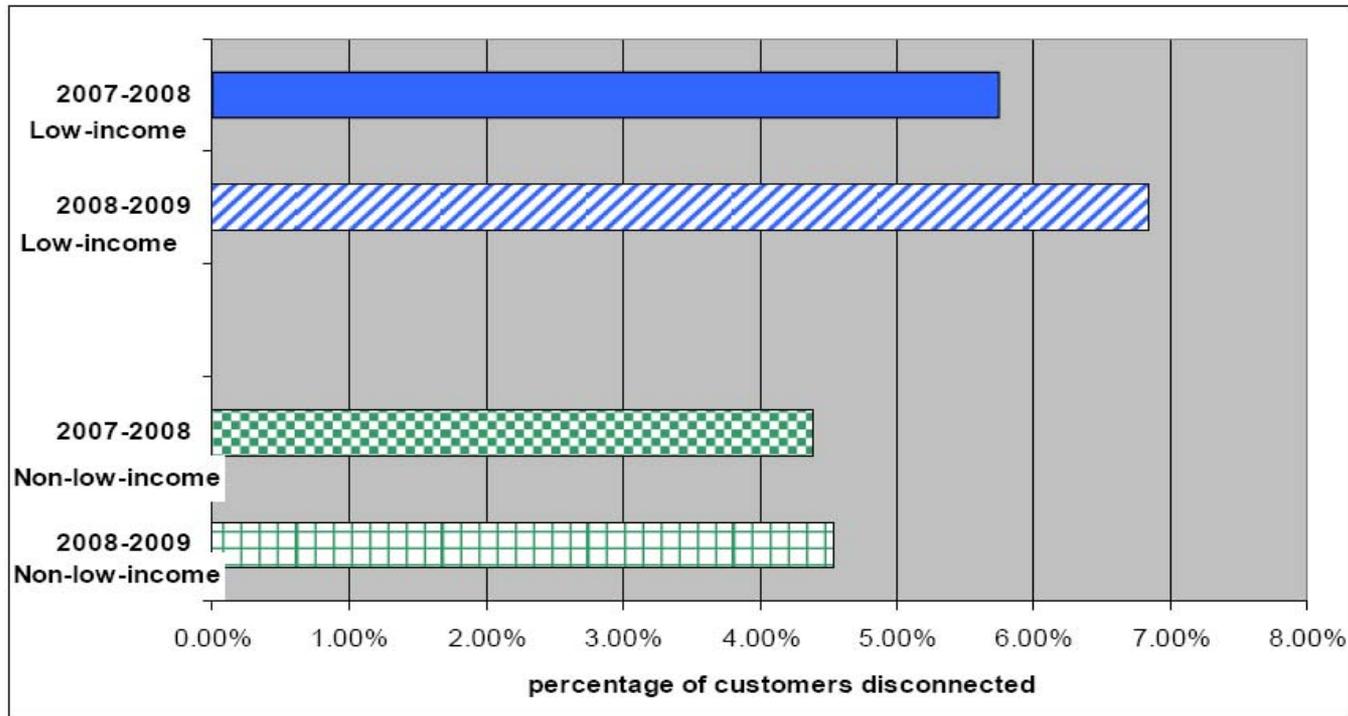
Source: state reports, American Gas Association

Contact: Mark Wolfe, National Energy Assistance Directors' Association 12/17/09

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Affordability Challenges: Arrearages and Disconnections

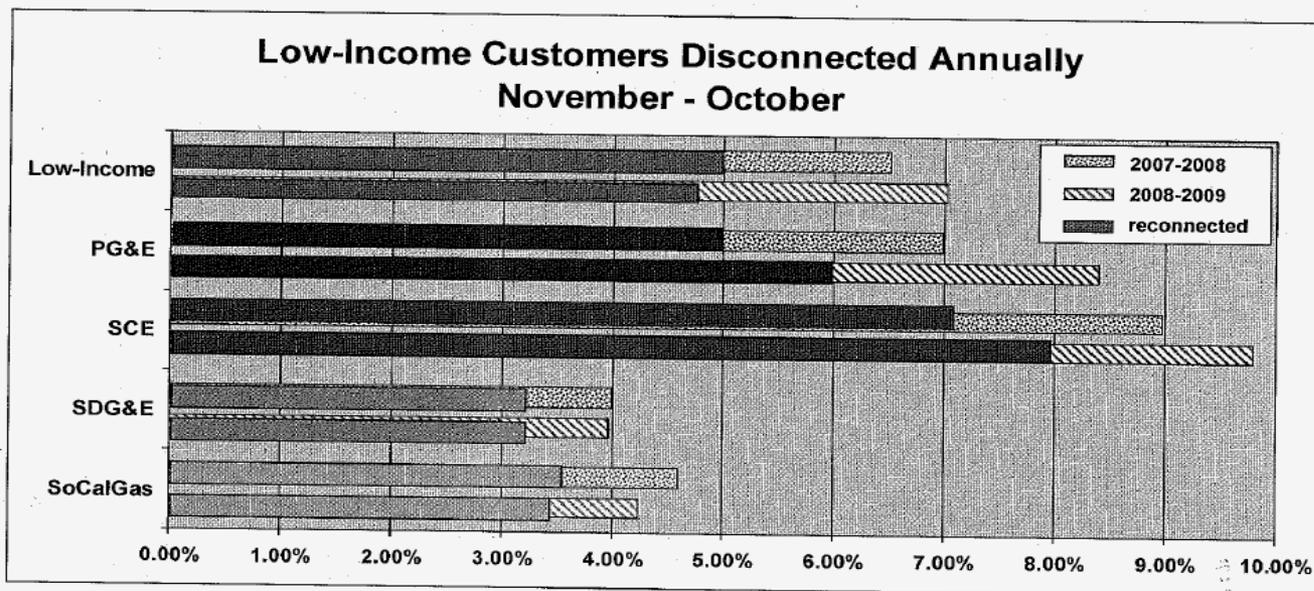
Figure 3: Two Year Comparison of Disconnections By Low-income and Non-low-income Annual Basis⁶



Source: California Division of Ratepayer Advocates: Status of Energy Utility Service Disconnections in California (November 2009)

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High Reconnection Rates Common To All Utilities



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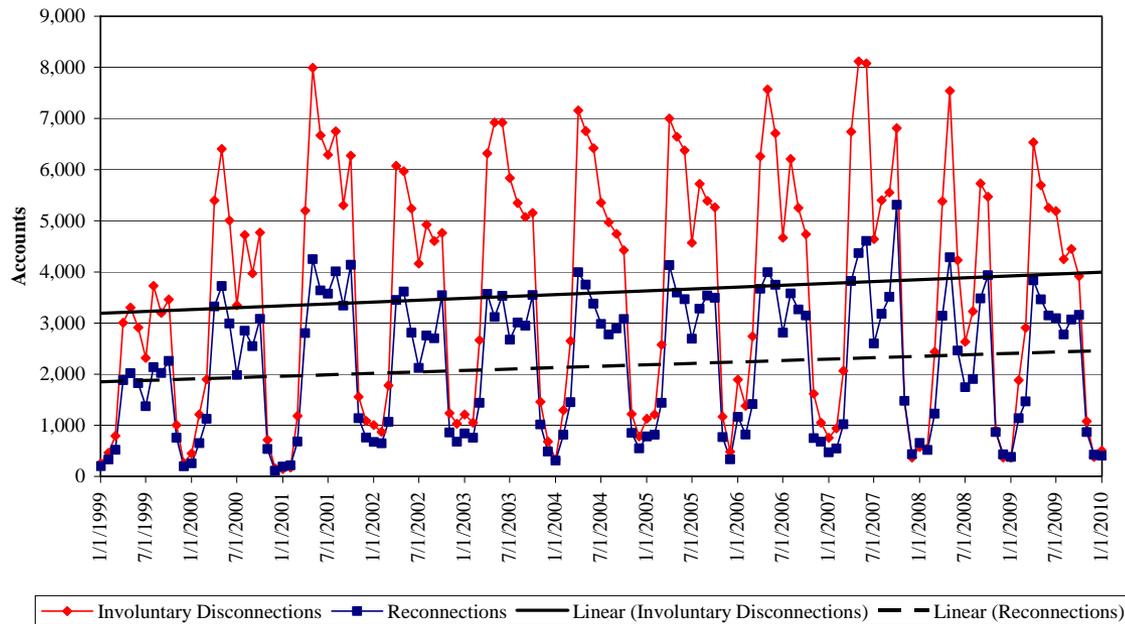
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**Iowa Electric and Natural Gas Utilities:
Residential Service Disconnections and Reconnections**



Source: IA Bureau of Energy Assistance (March 10, 2010)

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What happens to those who are not reconnected?

PA PUC found that in 2008:

- 4,038 residential households were without without electric service as of the middle of December.
- 13,595 residences where service was terminated appeared to be vacant.
- 68 households were heating with potentially unsafe heating sources.
- The total electric residences without safe heating are 4,106.

Source PA PUC 2008 Cold Weather Survey

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What happens when energy bills are unaffordable?

- Recent pediatric studies have documented the heat or eat affect in young children. These study show that young children in low-income households receiving LIHEAP are less likely to be extremely low weight when compared with low-income households without LIHEAP.
- LIHEAP Directors have a series of surveys that document the extremes low-income households go to when energy is not affordable: sacrifices are made w/ medicine and medical care, food, keeping homes at unsafe temperatures, use unsafe heating sources.

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Current Issues: LIHEAP

- LIHEAP is the main bill payment assistance program for heating and cooling.
- In FY 2009 and FY 2010, Congress has appropriated a total of \$5.1 billion for LIHEAP.
- The President's FY 2011 Proposed Budget recommends LIHEAP be funded at a total of \$3.3 billion (with \$2.51 billion guaranteed to the states through their formula grants and \$790 million that could be released at the Administration's discretion as LIHEAP emergency contingency grants).
- The Administration also proposes a trigger mechanism that could generate additional LIHEAP funding in the event of an increase in heating oil, natural gas, electricity prices or SNAP participation. This proposal has met w/ skepticism from LIHEAP advocates and some members of Congress.

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Current Issues: Weatherization

- In FY 2009, the Weatherization and Intergovernmental programs were funded at \$492 million and Weatherization received an incredible increase from the 2009 stimulus bill, \$5 billion. In FY 2010 Weatherization and Intergovernmental programs received \$297 million. This year the President proposes \$385 million for WAP. There has been negative press about the spendout of the WAP, but there were delays due to Davis-Bacon that have recently been resolved.
- WAP is a critical piece of the low-income energy affordability solution, as it covers serious energy efficiency retrofit measures which low-income households could not afford on their own.

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Energy Efficiency

- Low-income households tend to live in poorly weatherized housing and have older, less efficient appliances
- Traditional utility rebate programs require upfront cash that these households do not have
- Energy efficiency needs to be subsidized for this sector of the population
- We believe appliance standards and building codes will help low-income households in the long-run.
- Low-income residential energy efficiency programs should be coordinated with the existing weatherization networks for efficiency, less consumer confusion, and greater impact on savings
- Concerns with decoupling of utility revenues from sales: Danger to low-income households of increased costs or difficulty in reducing costs, especially if there is inadequate or non-existent low-income efficiency.

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Re: utility energy efficiency programs:

We need to see the following consumer protections in place for utility run EE programs:

- Measures must be cost-effective and evaluated, monitored and verified by and independent 3rd party w/ public reporting (in other words these must be wise investments with proven efficiency savings)
- Must include EE measures for low-income consumers
- Must provide intervenor compensation to ensure that consumer groups can meaningfully participate in the process to determine how the EA will be used “for the benefit of ratepayers”
- Must allow flexibility for third parties to administer the EE measures, not just LDCs; it’s whoever can do it better

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Smart Meters

- Use as a credit and collections device/
prepayment meters
 - Loss of consumer protections (e.g, payment plans and
arrearage management plans)
- Cost – too expensive (don't want it in the rate
base)
- TOU rates – inability to alter usage patterns
(senior in a hot climate in the middle of a heat
wave afraid to turn on AC b/c afraid she won't be
able to pay the bill)

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Restructured States

- Cost of wholesale power – doubtful that rates are just an reasonable. Looking for pressure points at FERC and in Congress on this issue.
- FERC RTO/ISO regional governance
- FERC RTO/ISO Performance metrics – pressing for generator cost data
- Office of Consumer Advocate at FERC

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Climate Change:

- **Putting a price on carbon will increase the cost of power and will also increase the costs of goods and services.**
- **It is critical to mitigate this affect on low and moderate income households.**
- **Failure to adequately protect these consumers will exacerbate the problems stemming from unaffordable energy.**

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